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THE INTEREST OF LABOR IN THE ECONOMIES OF RAILROAD CONSOLIDATION.

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It is my purpose to refer briefly to the general questions affecting labor, by reason of the consolidations of railroads. Any attempt to reach conclusions based on statistical averages will be avoided.

The limitations and qualifications necessary to be considered in comparing average wages for different periods, make such comparisons misleading. My position will be sufficiently proven by the testimony of the employes themselves. An exhaustive study of the question will not be attempted. Reference is made particularly to the five classes of labor employed in transportation service, as representing special classes of expert labor.

The extraordinary growth and consolidation of railroads in the United States and the development of trade union organizations in railroad service, offer an instructive example of the constantly increasing interdependence of labor and capital; such interdependence increasing in intensity in proportion to the increased combinations of capital. The results in this particular industry may well be applied to large combinations of capital and labor in other modern industrial pursuits. To appreciate the significance of the value of railroad consolidation to the public, it is only necessary to attempt to conceive of a return to the former conditions. The small independent railroads with their relatively small number of employes, each road with its own standards of equipment dependent upon the idiosyncrasies of its principal officers or directors; each road with responsibilities to the public as a carrier only to the extent of its own short line—all these limitations suggest a local independence which would permit to the railroad the employment of labor

on the basis of "supply" for its small demands. On the other hand, the gradual growth of large systems composed of many such small lines, produces a new and constantly growing responsibility to the public, until finally a point is reached where the law of supply and demand affects but remotely the skilled labor necessary in transportation service. In the last analysis, of course, wages are controlled by the law of supply and demand, but with increased complexity in transportation, large bodies of expert men, as a matter of fact, cannot be replaced within a reasonable time, and without so disturbing the service that the public would not permit a great transportation company to solve an important labor problem by so slowly working a law. The function performed by railroads has become too important to the body politic to permit of any solution of these serious labor and wage questions, except by intelligent consideration on the part of the representatives both of the management and of the employees.

The effect of consolidation has brought many good results to the employees: an increased ability on the part of the railroads to pay higher wages; to employ more men; an improvement in standards of track and equipment, which has reduced the hours for a day's work and has made the service less dangerous. It has also made the employment of men in the service more regular throughout the year and thus kept together a regular force, and has developed a code of standard rules, governing the army of employees, which have dignified their employment and made more permanent their positions.

These are some of the most obvious advantages to labor resulting from the constantly increasing combinations of capital in the transportation service.

The ability to pay higher wages is due directly to the improved efficiency of the physical departments of the railroads, and the economy in cost of transportation produced thereby.

The short independent road, with its local traffic, gradually began to receive more and more through traffic from its connections. Such through traffic, naturally, was principally of a high class and carried at high rates, by reason of the crude conditions of service and the practical inability of any one of the lines, as a part of a through line, to increase its efficiency advantageously so long as other parts of the route were of a different standard. In certain respects the weak line in a series of through lines is like the weak link in a chain. The fifty-ton freight car loaded to its capacity could not be hauled over a bridge which was built for a ten-ton car and a twenty-five ton locomotive. The different standards of cars, the different gauges of track, the necessary transfers of freight at terminals, the rebilling of freight at junctions—with all the consequent delays—naturally led to the necessity for the elimination of such difficulties. From the fifty-pound iron rail and the ten-ton capacity car there has been developed the one hundred-pound rail, the fifty-ton car, the reduction in grades, the powerful locomotive, a reduced cost in operation and, as a final result, an enormous growth of the business interests of the country. This development has been made possible alone through increased financial ability by reason of larger security in the control of traffic.

Consolidation has not made, in my experience, considerable immediate savings in cost of operation. Oftentimes a small road may be added to a larger system and some of the expenses of organization may be saved. On the other hand, the wages paid and the class of service which the larger system gives to its new line may increase actual expenses, but such expenses are incurred for the purpose of improving transportation facilities and of increasing the gross traffic returns. Therefore the economy to the railroad company is not in the cost of handling the existing traffic, but in the reduced cost of handling the increased traffic resulting from the improved facilities given. Thus, with larger capital at

command, it is possible to make improvements and to develop a new low class heavy traffic, which is handled at a less unit cost. The saving by consolidation is, in short, due to the ability to develop business economically. Conversely, the business of any trunk line to-day could not be handled by a series of independent lines with varying standards, at the present rates which are profitable to the larger lines. With the improved efficiency and economy of transportation, rates have constantly declined and traffic has been continually developed. With increased density of traffic, the number of employes has been increased in proportion and has been paid a higher wage. The improved facilities and higher speed of trains have made the day's work for a trainman, not one hundred miles as a maximum, but as a minimum, so that to-day, with high speed trains, the trainman may earn in two hours time a wage higher than he earned in earlier days in five hours time. Even though the wage per mile run were the same to-day as in past years, the actual work which the trainman can physically do within reasonable hours is oftentimes 100 per cent. greater. The locomotive engineer of to-day may average easily one hundred and seventy-five miles per day, and at an increased rate of pay per mile over the one hundred-mile day of the past. But of even greater importance to the men themselves, to the railroad and to the general public service, is the highly developed set of rules governing the employment of men in train service. The seniority privilege, which provides that the oldest men in the service, if capable, are secure of regular advancement; the civil service rules governing their employment; the credit system which generally prevails to-day and which gives the employe full protection for good service done—in short, the desire of railroad corporations to keep their men so long as their service is satisfactory, and not to discharge them except for inefficiency—all of these rights and privileges have been recognized almost entirely by reason of the large consolidated railroad interests and

their consequent greater responsibility to the men and to the public.

The best proof of the relationship which now exists between the railroad corporations of this country and their employes is shown by the testimony of the representatives of the five principal labor organizations before the Industrial Commission on March 10, 1899. A few important passages will be quoted from the statement signed by the chiefs of the Brotherhoods of the Locomotive Engineers, Firemen, Conductors, Trainmen and Telegraphers. It seems to me of the highest importance that we should recognize their testimony as to the improved conditions which have arisen, if not by reason of, yet co-temporaneously with, this wonderful development and consolidation of railroad interests.

In their signed statement of March 10, 1899, they say:

"The employes are quite generally employed at rates of compensation and under terms of employment mutually agreed upon between the officers of the railway company and committees representing the men."

"The standard rate of pay for engineers in passenger service is three and a half cents per mile, freight service four cents per mile; firemen fifty-eight per cent of engineers' pay; conductors, freight service three cents per mile, brakemen, sixty-six and two-third per cent. conductors' pay; passenger conductors, one hundred to one hundred and twenty-five dollars per month; passenger brakemen, fifty to seventy dollars per month; yard foremen, twenty-seven cents per hour for day work, twenty-nine cents per hour for night work; yard switchmen, twenty-five cents per hour day work and twenty-seven cents per hour night work."

"As a rule, the rates of wages are quite stable."

"The plan of keeping record by a system of merit and demerit entries has of late quite generally taken the place of suspension as punishment."

"Unjust or unreasonable dismissals and suspensions are becoming fewer in number and fewer in proportion to the whole."

"Road, train and enginemen have little or no complaint as to hours of service; they are generally paid for all excess hours; train and enginemen, as a rule, are paid overtime on a very fair basis. The labor organizations do not interfere with the employe who is not a

member, nor with his right to work; they depend upon their standing, reputation and works to attract to them all worthy and well qualified employes."

"The whole business and laboring world are more interested in stability of rates than they are in the questions of whether or not those rates are a fraction too high."

"There is no doubt but that consolidation of railway lines under one management has effected economies in the management and in the traffic and accounting departments. It is our experience that the large masses of the employes are not unfavorably affected by such consolidations. On the contrary, we can cite instances where the employes of a small railway which paid poor wages and afforded very unsatisfactory conditions of employment, have been greatly benefited by that line being absorbed by some large system and the employes thereby brought under the operations of the higher rates of pay, and much more advantageous conditions of employment which obtained on the absorbing system."

Special testimony from the firemen :

"The railroad employes have an understanding with the employers that there shall be no more men employed than is necessary to move the traffic with dispatch, and during the busy times they take advantage of it and earn big wages, and when the dull season comes, of course they earn an average wage."

"I have been associated with the Brotherhood of Locomotive Firemen as its chief executive for fourteen years, and I have yet to find the first railroad officer with whom I could not do business and reach results that were acceptable to the organization which I represent."

"One of the best evidences of the relations between the Brotherhood of Locomotive Firemen and the railway managers or operators is the fact that we are supplying a great many of our members to-day to the railway companies who are in need of experienced men. They telegraph to our office and ask us to supply the demand."

P. M. Arthur, Grand Chief Engineer of the Brotherhood of Locomotive Engineers:

"In nearly every case, with few exceptions, during my administration of twenty-five years we succeeded in effecting an amicable adjustment, . . . so that to-day we have written agreements embodying the rate of pay, the rules for the government and protection of the men, with ninety per cent of the roads in the country. We have succeeded . . . in increasing the wages of locomotive engi-

neers from sixty dollars per month to three and a half cents per mile for passenger service and four cents per mile in freight."

"We believe in protecting the men in everything that is right and just. We have never dictated to a railroad whom they shall or shall not employ."

It is clear that such testimony as the above could not have been given if the railroads had continued to be operated as small separate lines. In railroads, more than in any class of labor in this country, we have seen the results of wise leadership on the part of the trade unions. Both capital and labor aim at monopoly; the best result is obtained only when intelligent counsel prevails. The railroads are moving on toward greater consolidations and with constantly increasing benefit to their million employes and to the public. More and more each year the managements of railroads acknowledge their public duties, more and more each year the operation of railroads is becoming a governmental function, so that, as I see it, the best condition will be reached when the relations between the government and the railroads are intelligently defined, with the management and operation left in the hands of private persons. The ideal condition is to so operate the railroads as to approach an ideal governmental operation and yet to retain the ownership in private capital. As a most vital and important element of this condition, the government should recognize the necessity of preventing unlicensed and unbridled competition between the carriers; of giving real publicity to the operations of transportation companies; of protecting the railroads so that they may maintain reasonable rates, as well as of protecting the public against unreasonably high rates. With these provisions the public and the stockholders will be protected and the large army of railroad employes, in their turn, will be protected in respect of their reasonable wage. As was stated in the testimony above by the representatives of the employes of the railroads of the country, "the whole laboring world is more interested in stability of rates than it is

in the question of whether or not those rates are a fraction too high."

The organizations of labor in railroad service have for the most part avoided the mistakes made by labor organizations generally, in that they have not demanded the employment of union labor, or the non-employment of non-union labor. This intelligent direction of their interests on their part has made the relations between the unions and many of the railroads most cordial. Arrogance and ignorance have been avoided on the part of both, and the results generally have been profitable to the railroads, the employes and the public. The centralization of capital in railroads tends, by a natural process, to put the direction or control in the hands of the ablest and best men the country produces. With railroads tending more each year to single control, what is the advantage to the employe and to the railroad? Each year the railroad operation becomes more vital to the interests of the whole people. Every business, social and political action demands that the arteries of travel shall be open. The processes of distribution have changed so that to-day the order placed in London will be shipped almost direct from the point of production. This is due to the highly organized methods of transportation which allow prompt and immediate distribution. So also is this evident in the changed conditions of our retail trade throughout the country. No longer does the retailer purchase his supply of goods from a middleman who has his full season's supply stored and on hand for distribution, but the retailer orders his goods in advance, the exact amount of the orders made is produced, and the goods are shipped almost direct to the retailer; so intimately have the accurate methods of transportation entered into industrial life and prevented the waste of unnecessary accumulation and overproduction.

Under these conditions, in what position is the expert employe of the railroad? What is his advantage? How far can he advance his wages and what controls his demand?

On the one hand, is the large railroad system which must continue its operations and to which the labor of its trained employes is necessary. On the other hand, there is a body of men who recognize the whole situation, but are controlled by making demands which they believe to be reasonable, the term reasonable meaning the demand which they believe the public would endorse. The history of railroad wages has shown that the public has been willing always to recognize the responsibilities of railroad men, and has given its sympathy to them in their reasonable demands. The employes, as a rule, have shown an intelligent understanding of the reasonable wage, and when they have not acted fairly and wisely they have not been supported by the public, have been refused their demands by the railroads and have learned that reason must prevail.

One of the most important needs of the times is to secure intelligent conservative leaders as attorneys, to counsel, advise and interpret a reasonable position for the armies of men in our various industries. How important it is to have such leaders is shown by the satisfactory relations between the railroads and their employes, as the testimony above indicates.

This important principle was illustrated a few years ago by the following instance: A large railway system, which had been in the hands of receivers for some years, had reduced the pay of its men 10 per cent. The wages paid were 10 per cent. less than the wages paid for similar service on lines similarly situated. In time the security holders were asked to stand a reduction of their holdings. The road was reorganized. It was placed on a sound financial basis, but with a fixed charge equal to the probable net earnings of the road. Soon after the reorganization the men asked for a restoration of their old rate of pay. The request of the men was refused, on the simple ground that the road could not afford to increase its expenses, that the wages paid under all the conditions existing were reasonable wages for

the work done. No promises were made for restoration in the future. It was a clear cut, well defined issue based on ability to pay and not on any question of standard wages so called.

A thorough and complete understanding was had, however, in respect to the rules and regulations to govern the employment of all the employes, so that the rights of the men, their conditions of employment and their interest in the prosperity of the railroad were thoroughly understood—this, in my judgment, being of much more importance than any question of increase or decrease in the rate of pay. After protracted and repeated interviews, the employes accepted the position of the company. From that day the company prospered in all its departments and gradually improved its standards and its service, to the great advantage of the public, its business interests and of the men. Finally, when its financial ability permitted it to do so, it restored the wages which had been in effect previously. This was a case of intelligent co-operation by organized labor. During that controversy it is interesting to note that the public press throughout the states where those lines were operated was almost unanimous in its support of the railroad in its position. It was the public sentiment that served as the jury for that case, and so it will always be, and the public, in my judgment, will always be a fair jury both to the railroad as well as to the employes, PROVIDED they know all of the facts in the case, and further provided that the operations of the road are known to be administered wisely and in the interests of the public.

In the future, the times may not warrant even the present rates of wages; and if they are to be reduced, it will be well if the public is fully informed through the publicity of accounts of the actual conditions of railroads, so that it may be the final arbiter of the reasonable wage for employes in a quasi-public service.

President Hadley says: "The railroads of the country at

the present time, taking good years and bad together, are probably not earning more than 3 per cent. on the actual investment." If, then, with the public fully advised, in competition with the markets of the world the rates on traffic must be so reduced as to curtail the fair return on what may be called actual values, the men on their part may not make unreasonable demands, nor will the public support them in so doing.

But meanwhile it seems to me evident that labor will continue to profit from the very size of the railroad systems involved. The conservatism of large railroad corporations means intelligent and careful consideration of all matters pertaining to the personnel of their organization.

In just such ways as have been so clearly demonstrated in railroad operation in the past, will the economies to labor work out in the other great industrial corporations of to-day. The modern trust, by reason of its economies in cost of production due to its large financial ability, will be able to pay the highest wage possible in its competition with the markets of the world; will tend to give steady and permanent employment, and more and more will approach in many ways a public service.

In conclusion, then, it is to me apparent that together with the increased tendency to consolidation of railroad systems, improvement in service, increased efficiency, larger demands for high class service, greater need for economy in transportation, there has been developed a higher standard of men in their employ; a wiser and more intelligent understanding on the part of employes as to their true relation to the service; an improvement in the conditions of employment; a higher wage for the same service done; shorter hours for a day's work, and, withal, generally a cordial understanding and appreciation of the rights of both employer and employe.